

THE BUSINESS REVIEW

THIRD FEDERAL
PHILADELPHIA



RESERVE DISTRICT
JUNE 1, 1940

FEDERAL RESERVE BANK OF PHILADELPHIA

Business and Banking Conditions in the United States

Industrial activity was steady during April after three months of sharp decline, and in the first half of May increases appeared in some lines, particularly steel. Prices of basic commodities showed mixed changes toward the middle of May, accompanying the extension of active warfare in Europe, while stock prices declined sharply.

Production. The Board's seasonally adjusted index of industrial production for the month of April was 102, compared with 104 for March and 109 for February. Steel ingot production was steady during April at slightly over 60 per cent of capacity as compared with an average rate of 64 per cent in March; in the first half of May output rose sharply and currently is scheduled at about 70 per cent of capacity. Automobile production in April continued at about the March rate, although ordinarily there is an increase at this season, and in early May declined somewhat. Retail sales of new cars approximated production in April and dealers' stocks of both new and used cars remained at earlier high levels. Output of plate glass, used largely by the automobile

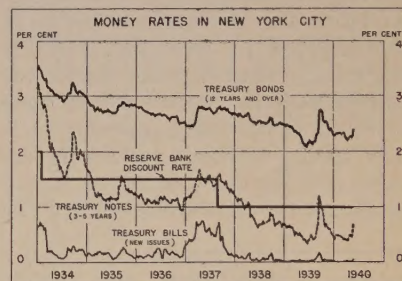
industry, declined considerably in April, and lumber production showed somewhat less than the usual seasonal increase. In the machinery, aircraft, and shipbuilding industries activity continued at the high rate of other recent months.

In the textile industry activity at cotton and woolen mills declined somewhat further in April, following considerable reductions in March. At silk mills activity remained at a low level, while rayon production was maintained at a high rate. Output at meat-packing establishments continued in large volume. There was some further curtailment in shoe production in April; in most other industries producing non-durable goods changes in output were largely seasonal in character.

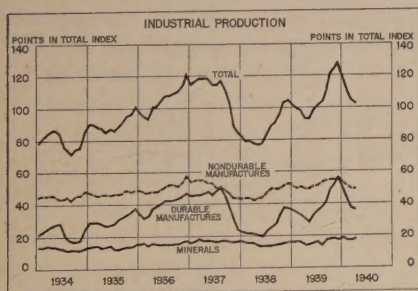
Coal production, which usually declines sharply in April, showed only a small decrease this year. Output of crude petroleum, which had reached record high levels in March, was largely maintained in April and the first half of May, although stocks of crude oil were increasing and gasoline stocks were unusually large.

Value of construction contract awards increased further in April, reflecting principally a rise in contracts for private building, according to figures of the F. W. Dodge Corporation. Awards for private residential building were in somewhat larger volume than a year ago. Private nonresidential building was about one-third greater than at this season last year and was near the previous peak level reached in mid-1937. Awards for public construction, however, were considerably below the level of last spring.

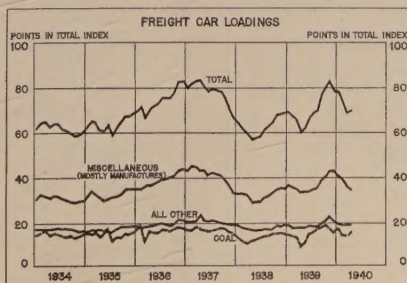
Distribution. Distribution of commodities to consumers showed little



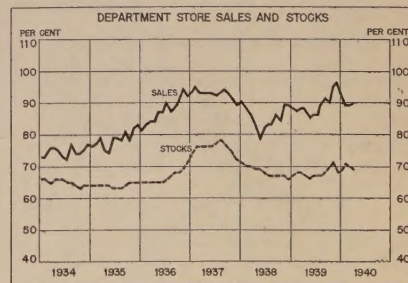
For weeks ending January 6, 1934, to May 18, 1940.



Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. Durable manufactures, nondurable manufactures, and minerals expressed in terms of points in the total index. By months, January 1934 to April 1940.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January 1934 to April 1940.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to April 1940.

change in April and the first half of May. The Board's seasonally adjusted index of department store sales was 90 per cent of the 1923-1925 average in April, about the level that has prevailed since the first of the year but below the peak of 96 reached last December.

Total freight-car loadings in April were in about the same volume as in March. Shipments of coal declined less than seasonally, while loadings of miscellaneous freight, which include most manufactured products, showed less than the sharp rise that is customary at this season. In the early part of May increases were reported in shipments of most classes of freight.

Foreign trade. Exports of United States merchandise, which have been at a high level since last December, declined somewhat in April. A large part of the decrease in April was accounted for by the complete cessation of shipments to northern European countries after outbreak of hostilities there, but declines were also reported in shipments to most other countries.

Exports to Canada, the Union of South Africa, and France, however, increased.

Shipments of commercial vehicles declined sharply, following a considerable rise in March, and exports of iron and steel products, which had been increasing steadily since last summer, also showed a decline. Exports of cotton and copper decreased further from earlier high levels, while machinery and aircraft shipments continued in large volume.

During April, the monetary gold stock of the United States increased by \$337,000,000, the largest increase since August 1939. Acquisitions of gold in the first two weeks of May totaled \$169,000,000.

Commodity prices. Prices of a number of basic commodities, which had been declining after a rise in April, advanced from May 10 to May 14. Increases in this period were particularly marked for imported materials, such as rubber, tin, and silk. Grain prices rose at first but subsequently showed sharp declines. Price changes for other commodities were mixed;

steel scrap advanced, while cotton declined considerably. Prices of certain steel products, which had been reduced early in April, were restored to earlier levels on May 1, and producers announced that steel purchased at the lower prices must be taken by the buyers on or before June 30.

Government security market. Prices of United States Government securities declined sharply from May 10 to May 14, accompanying the further spread of war in Europe. Prices of long-term Treasury bonds on May 14 were $3\frac{3}{4}$ points below the high point reached on April 2. The yield on the 1960-65 $2\frac{3}{4}$ per cent bonds rose from 2.26 per cent on April 2 to 2.48 per cent on May 14.

Bank credit. Total loans and investments at reporting member banks in 101 leading cities increased during the four weeks ending May 8. Most of this increase was at New York City banks and reflected purchases of United States Government obligations. Deposits and reserves of banks in leading cities continued at record high levels.

Business and Banking Conditions in the Philadelphia Federal Reserve District

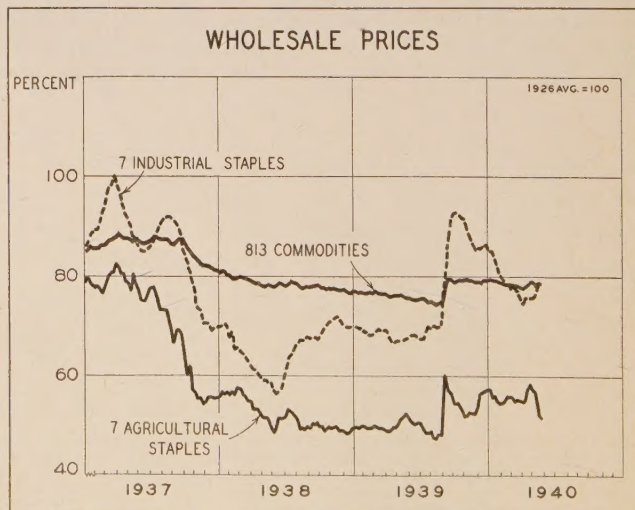
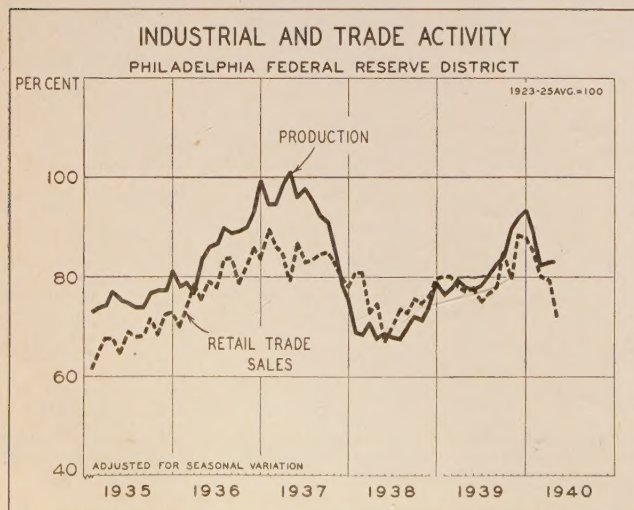
Productive activity in the Third Federal Reserve District in April continued about the same as in March at a level well above that of last year, but below the two and one-half year peak reached in December. In the past month the markets for a wide variety of basic industrial products have improved considerably, owing principally to the widespread shifts in demand and in the sources of supply occasioned by war developments. The

principal gains in the past several weeks have appeared in armament and other heavy industries. Little change is as yet in evidence in the case of consumers' goods where markets are unsettled and forward ordering generally restricted.

Manufacturing activity in April declined somewhat less than usual, and the production of oil and electric power expanded. The output of coal was maintained at about the level of March.

Construction activity increased further.

General industrial employment and payrolls in Pennsylvania declined somewhat from March to April, and at factories further small declines in employment appear to have occurred in early May. Reductions in April were reported in the case of manufacturing, mining, and distribution, while increases occurred in the construction, quarrying, and service industries. Both employment and payrolls were substan-



tially above the levels of a year earlier.

Retail trade sales declined somewhat from March to April, but preliminary reports indicate improvement in May. Sales by wholesale establishments have increased. Distributors' inventories were reduced in April.

Wholesale commodity prices advanced slightly in April and were fairly well maintained in the first half of May. Quotations on staple industrial materials have been generally firm since the middle of April, while prices of agricultural goods have declined.

Manufacturing. The demand for factory products in this district has improved substantially since early May, despite unsettlement in the markets for several products occasioned by war developments. Purchases of steel increased in the early part of the month when the price structure in the industry became firmer, and after the invasion of Holland, Belgium, and Luxembourg, an important steel-producing region, both foreign and domestic demand expanded sharply. The market for building materials has been improving steadily now that construction activity, which was delayed by unseasonable weather, has gotten under way. The largest purchases and highest rates of activity continue in the shipbuilding, aircraft, machine tool, and other industries affected by the demand for armaments. Markets for such manufactured consumers' goods as textile and leather products continue unsettled and little forward buying in these lines is as yet in evidence. Production in general appears to have been moderately well balanced with demand, and prices in many lines have shown renewed firmness.

The volume of unfilled orders for manufactured products is substantially smaller than was the case a few months ago but in several lines increases are now being reported. Operations recently have been fairly well sustained and purchases of new equipment continue relatively numerous. Only scattered instances of plant expansions are in evidence.

Inventories at reporting factories have shown little change in the past month and except in the case of textile mills approximate the levels of a year ago. Supplies of both raw and finished textile products at producing establishments are smaller than last year.

Employment and payrolls at Pennsylvania factories declined about 2 per cent from March to April as was to be seasonally expected. The latest indications are that gains occurred in May

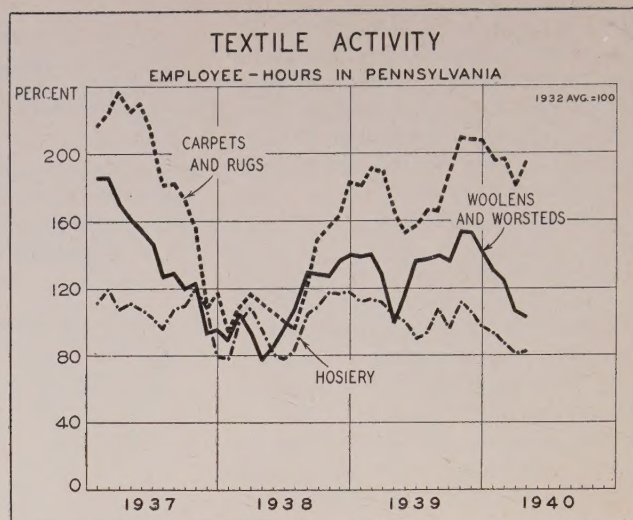
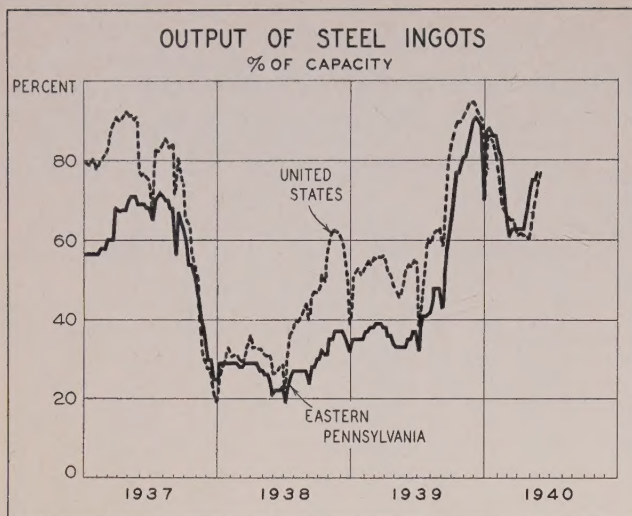
Business Indicators Philadelphia Federal Reserve District

	Index numbers: percentages of the 1923-1925 average as 100											
	Adjusted for seasonal variation						Not adjusted					
	Per cent change											
	Apr. 1939	Feb. 1940	Mar. 1940	Apr. 1940	Apr. 1940 from Month ago	1940 from Year ago mos. 1939	Apr. 1939	Feb. 1940	Mar. 1940	Apr. 1940	Apr. 1940	Apr. 1940
Adjusted indexes allow for the usual seasonal change in activity.												
Unadjusted indexes reflect merely the actual change which may or may not be typical.												
Industrial production	78	82	83	83p	+ 0	+ 6	+ 8	77	83r	82	82p	82p
Manufacturing—total	75	81	81	82p	+ 1	+ 9	+ 9	73r	82	81	80p	80p
Durable goods.....	65r	80	81	83p	+ 3	+ 28	+ 31					
Consumers' goods.....	83	83	81	81p	+ 1	+ 2	+ 3					
Metal products.....	64	86	83	86	+ 3	+ 34	+ 39	63	88	85	84	84
Textile products.....	76	75r	70	71p	+ 1	+ 8	+ 9	73	81	73	67p	67p
Transportation equipment.....	71	92	93	95	+ 2	+ 34	+ 34	75	93	99	100	100
Food products.....	76	77	78	78p	+ 0	+ 3	+ 3	74	76	77	76p	76p
Tobacco and products.....	98	99	105	108	+ 4	+ 11	+ 8	89	84	96	99	99
Building materials.....	37	32	40	42	+ 3	+ 14	+ 8	36	28	35	41	41
Chemicals and products.....	110	119	129	127p	+ 1	+ 15	+ 13	112	119	129	129p	129p
Leather and products.....	118r	109r	106	95p	+ 10	+ 19	+ 8	116r	116r	109	94p	94p
Paper and printing.....	85	89	87	88	+ 1	+ 3	+ 3	87	89	88	89	89
Coal mining.....	71	53	66	56p	+ 15	+ 21	+ 5	74	56	57	57p	57p
Anthracite.....	80	51	66	54p	+ 18	+ 32	+ 7	83	54	55	56p	56p
Bituminous.....	**	68	69	74	+ 7	**	**	**	74	70	67	67
Crude oil.....	436	444	417	433	+ 4	+ 1	+ 4	449	444	426	446	446
Electric power												
Output.....	260	261	270	285	+ 6	+ 10	+ 8	254	277	275	279	279
Sales, total.....	244	264	271	270	+ 0	+ 10	+ 10	252	286	268	278	278
Sales to industries.....	174	183	189	185	+ 2	+ 6	+ 8	176	181	179	187	187
Employment and wages—Pa.												
Factory—Wage earners					+ 2*	+ 6*	+ 9*	80r	88	87	85	85
Payrolls.....					+ 2*	+ 17*	+ 18*	68r	82	81	79	79
Man-hours (1927-28=100).....					+ 2*	+ 19*	+ 22*	66r	81	80r	78	78
General (1932=100)												
Employment.....					+ 1*	+ 9*	+ 7*	101r	111	111	109	109
Payrolls.....					+ 2*	+ 17*	+ 14*	129r	152	153r	151	151
Building and real estate												
Contracts awarded†—total.....	62r	53	63	65	+ 3	+ 4	+ 5	60	52	55	62	62
Residential.....	58r	47	57	56	+ 2	+ 4	+ 7	54	33	43	52	52
Nonresidential.....	56r	47	44	52	+ 19	+ 7	+ 23	57	48	44	53	53
Public works and utilities.....	87r	96	125	121	+ 3	+ 38	+ 27	80	115	114	111	111
Permits for building—17 cities.....	13r	33	25	16	+ 37	+ 23	+ 13	18	26	32	23	23
Real estate deeds—Philadelphia.....	45	51	52	49	+ 5	+ 9	+ 16	44	55	49	48	48
Writs for Sheriff sales—Phila.....	260	270	226	236	+ 4	+ 9	+ 9	273	275	231	248	248
Distribution												
Retail trade—sales.....	77	80	79	72p	+ 9	+ 6	+ 1	82	60	79	74p	74p
stocks.....	77	80	80	79p	+ 1	+ 2	+ 5	79	77	82	81p	81p
Wholesale trade—sales.....					+ 3*	+ 5*	+ 5*					
stocks.....					+ 2*	+ 0*	—					
Life insurance sales.....	77	81	86	79	+ 8	+ 3	+ 4	86	93	95	88	88
New passenger auto. registrations.....					+ 1*	+ 17*	+ 38*	128	112	149	150	150
Hotels—Occupancy..... (1934=100)					+ 10*	+ 9*	+ 3*	122	119	119	132	132
Income, total (1934=100).....					+ 12*	+ 6*	+ 2*	136	129	129	145	145
Freight-car loadings—total.....	53	71	68	66	+ 4	+ 24	+ 19	52	64	63	63	63
Merchandise and miscellaneous.....	60	70	66	65	+ 2	+ 7	+ 15	62	64	64	66	66
Coal.....	32	64	70	69	+ 1	+ 112	+ 27	29	70	67	62	62
Business liquidations												
Number.....					+ 30*	+ 10*	+ 9*	94r	70	80	104	104
Amount of liabilities.....					+ 100*	+ 16*	+ 37*	37	16	21	43	43
Payment of accounts												
Check payments.....	86r	89	93	86	+ 8	+ 0	+ 10	87r	90	91	87	87
Rate of collections (actual)												
Retail trade.....	30	32	32	33	+ 3	+ 11	.....	31	31	32	33	33
Prices—United States												
Wholesale (1926=100)					+ 0*	+ 3*	+ 3*	76	79	78	79	79
Farm products.....					+ 2*	+ 9*	+ 4*	64	69	68	69	69
Foods.....					+ 2*	+ 4*	+ 1*	69	71	70	72	72
Other commodities.....					+ 0*	+ 2*	+ 3*	80	83	83	82	82
Retail food					+ 1*	+ 2*	+ 1*	77	78	77	78	78
Philadelphia.....					+ 2*	+ 0*	+ 1*	78	77	77	79	79
Scranton.....					+ 1*	+ 3*	+ 2*	73	75	75	76	76

(In millions of dollars)	Apr. 1939	Jan. 1940	Feb. 1940	Mar. 1940	Apr. 1940	% change from	
						Month ago	Year ago
Banking and credit							
Federal Reserve Bank							
Bills discounted.....	\$0.2	\$0.7	\$0.6	\$0.3	\$0.2	-33	0
Other bills and securities.....	210	207	206	206	200	-3	-5
Member bank reserves.....	444	618	602	611	683	+12	+54
Reserve ratio (per cent).....	77.7	82.4	82.3	82.9	83.9	+1	+8
Reporting member banks							
Loans.....	\$399	\$414	\$419	\$427	\$437	+2	+10
Investments.....	697	745	747	726	719	-1	+3
Bankers' acceptances outstanding.....	9.0	10.0	9.5	9.7	9.5	-2	+6

* Computed from data unadjusted for seasonal variation.
† 3-month moving daily average centered at 3rd month.
‡ Not included in production index.

p—Preliminary. r—Revised.
** Strike last year.



at iron and steel mills, when there is usually a small decline, and that larger than usual reductions were made in the textile industry.

The number of factory wage earners in April was estimated at about 890,000, or 7 per cent below the high level in December. Wage disbursements in the middle of April amounted to approximately \$21,500,000 a week, or about 12 per cent less than at the peak in December. Compared with April 1939, however, when manufacturing activity was approaching the year's low, employment showed a gain of 6 per cent and payrolls 17 per cent.

The sharpest declines in the month occurred at plants producing transportation equipment, shoes and other leather products. Large reductions were in evidence in the case of locomotives and cars and automobiles and trucks. Wage payments continue unusually large at shipyards and aircraft factories. In the transportation equipment industry payrolls are still near the levels of late 1939, which were the highest since 1937. The greatest improvement was at plants producing building materials, especially lumber and cement.

In the iron and steel industry the decline in employment and payrolls from March to April, which was contrary to the seasonal tendency, was due primarily to reductions at blast furnaces and steel works and rolling mills. At a variety of plants producing finished materials, payrolls were well sustained.

At textile mills the decline in April was smaller than usual. At clothing factories, however, wage payments were reduced substantially more than was to be expected, the sharpest curtailment being in the case of men's clothing.

Employment in manufacturing industries in Delaware expanded 2 per cent from March to April and payrolls advanced nearly 5 per cent, reflecting gains in the case of lumber, transportation equipment, and chemicals. Employment was about 6 per cent higher than a year earlier and wage payments over 13 per cent larger. In southern New Jersey, employment and payrolls were approximately unchanged from March to April but were 15 and 27 per cent respectively above April 1939.

The output of factory products in this district on a seasonally adjusted basis increased slightly in April and was 9 per cent above a year ago. The output of durable goods increased 3 per cent, reflecting improvement at metal working plants, shipyards, and lumber mills. Compared with April 1939 the output of durable goods was 28 per cent larger and in the first four months of this year production was 31 per cent above the corresponding period a year ago. The output of consumers' goods increased 1 per cent in the month but was 2 per cent below April 1939 and in the first four months averaged 3 per cent less than last year.

The output of electric power increased 6 per cent more than usual from March to April and total sales expanded about seasonally. Sales to industry advanced 2 per cent less than was to be expected. Both output and sales continued substantially larger than a year earlier.

Coal and other fuels. The market for anthracite has been quiet since the middle of last month, reflecting a seasonal slackening in the demand for fuel by householders. Production appears to have been in balance with demand, and mine stocks have shown no appreciable increase.

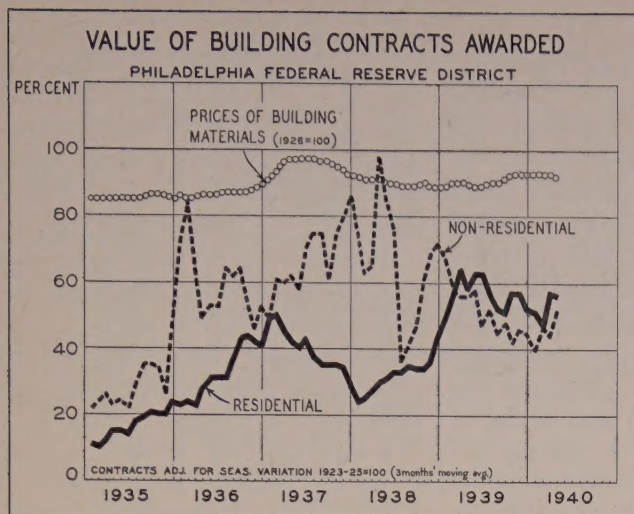
Colliery output increased less than seasonally from March to April and was considerably smaller than a year ago, when the closing of bituminous mines stimulated the demand for a substitute fuel. Production was fairly well sustained in early May, according to preliminary reports. Approximately 16,700,000 tons were mined in the first four months of 1940, or about 7 per cent less than in the same period last year.

Industrial demand for Pennsylvania bituminous coal has been steady since early April and continues substantially greater than a year ago. The output of mines in April exceeded seasonal expectations for the second successive month and in the first half of May production showed a small increase instead of the usual decline.

Activity at by-product coke ovens showed virtually no change from March to April but production continued well above the level of a year earlier. The output of gas and fuel oils increased somewhat further in April and was the largest for that month in recent years.

Building. Building activity in this district expanded substantially in April, after having been delayed earlier this year by unseasonable weather. Construction of family houses and nonresidential buildings increased more than usual in the month.

New contracts awarded in April approximated \$17,600,000, or 9 per cent more than in the preceding month and slightly above April 1939. Sharp increases in all classes of nonresidential structures in the latest month were partly offset by smaller awards for residences and public works and utilities. The volume of awards for houses was about the same as a year ago, but



contracts for apartments and hotels, commercial structures, and educational buildings were substantially higher.

Building contracts Philadelphia Federal Reserve District	April 1940 (000's omitted)	Per cent change	
		From month ago	1940 from 4 mos. 1939
Residential	\$ 6,956	- 8	- 4
Apts. and hotels.....	1,344	- 25	+ 9
Family houses.....	5,612	- 3	- 8
Nonresidential	5,990	+ 58	-17
Commercial.....	1,440	+ 17	- 1
Factories.....	1,546	+197	+10
Educational.....	1,039	+ 17	+16
All other.....	1,965	+ 70	-43
Total buildings.....	\$12,946	+ 14	-10
Public works and utilities.....	4,629	- 4	+38
Grand total.....	\$17,575	+ 9	+ 1

Source: F. W. Dodge Corporation.

Contracts totaling \$58,600,000 in the first four months this year were the largest for the period since 1931. Awards for all classes of construction except one- and two-family houses, commercial buildings, and unclassified structures such as hospitals and institutions, showed gains over a year ago, the sharpest increase being reported in contracts for public works and utilities.

Agriculture. Seasonal farming operations in this district have progressed normally since the middle of May, after being delayed from ten days to two weeks by unfavorable weather earlier this year. Corn planting is nearly completed in most sections, truck crops are being set out in the southern counties, and potatoes are coming up satisfactorily, after a poor start at the beginning of the season. The condition of wheat, rye, and pastures is unusually favorable for this time of the year. The outlook for orchard fruits is promising and no damaging frosts have been reported. Growing conditions for berries are generally satisfactory.

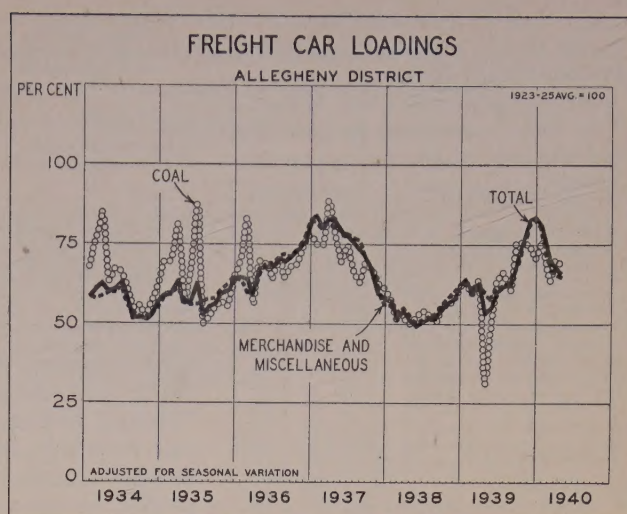
Planting intentions of farmers at the beginning of the season indicated that the acreage to be allotted to hay, potatoes, oats, and corn will be about the same as in 1939, while increases are contemplated in the case of spring wheat, tobacco, and soybeans.

The cash income from sales of crops and livestock products by farmers in Pennsylvania, New Jersey, and Delaware in the first quarter of 1940 was 3 per cent greater than a year ago and the largest since 1937.

Distribution, trade and service. Retail trade sales in this district declined somewhat from March to April, when there is customarily a small expansion, but improved substantially in May, according to preliminary reports. The reduction in April was due chiefly to continued unfavorable weather conditions which curtailed the market for spring goods. The seasonally adjusted index declined 9 per cent in the month to a level about 18 per cent below the three-year peak reached near the end of 1939. The sharpest decreases were reported by stores handling shoes, men's apparel, and durable consumers' goods.

Compared with a year ago sales by reporting retail distributors in April showed a decline of 6 per cent, owing to the restricted purchases of footwear and apparel. Sales by department stores in the month were fractionally larger than in the same period of 1939, and credit stores reported only a small decline. In the first four months of this year, aggregate sales at retail were 1 per cent larger than a year ago.

Stocks of goods at retail establishments declined 1 per cent on a seasonally adjusted basis from March to April, but were about 2 per cent larger



than a year earlier. Increases over April 1939 were shown in all reporting lines but women's specialty stores, where inventories declined 8 per cent.

Sales by reporting wholesale distributors in this district increased 3 per cent from March to April, reflecting substantial gains in hardware and paper, smaller increases in drugs and electrical supplies, and declines in footwear and jewelry. In April and in the first four months of this year wholesale trade sales were 5 per cent above the levels of a year earlier.

Inventories at wholesale declined about 2 per cent in the month to a level approximating that of April 1939. The sharpest reduction from March to April was reported by hardware dealers, and the largest decline from April 1939 was in inventories of dry goods.

Total freight-car loadings in the Allegheny District in April continued about the same as in March although some increase was to be expected. The volume of loadings was still 24 per cent above April 1939, when practically no bituminous coal was being shipped, and in the first four months averaged 19 per cent more than a year earlier. Less than carlot shipments of merchandise increased in April, when there is usually no change, but miscellaneous shipments failed to improve. Loadings of ore increased substantially less than usual, while shipments of coal, coke, and forest products declined somewhat more than was to be expected.

Freight shipments originating in Philadelphia have increased sharply since the middle of April to the highest level of this year. Shipments thus far this year have continued above the levels in 1939.

Sales of new passenger automobiles

in this district in April increased 1 per cent from March and were 17 per cent above April 1939.

Income of nonresort hotels increased 12 per cent from March to April and was 6 per cent higher than a year ago.

Hotel business Philadelphia Federal Reserve District	Apr. per cent change from		1940 from 4 mos. 1939
	Month ago	Year ago	
Capacity.....	- 0	-0	.....
Room occupancy.....	+10	+9	+3
Per cent of capacity used:			
April 1940.....	58.7		
March 1940.....	53.1		
April 1939.....	54.0		
Revenue from:			
Guest rooms.....	+13	+6	+2
Food.....	+12	+7	+3
Other sources.....	+11	+7	+1
Total revenue.....	+12	+6	+2

Banking conditions. Loans and investments of the reporting banks have increased moderately in the past month, deposits have again expanded, and cash assets have recently been at the highest levels on record.

The combined reserves of all member banks in this district in the first half of May averaged \$706,200,000, of which \$384,000,000 was in excess of requirements. The proportion of excess to required reserves was 130 per cent at banks in Philadelphia and 94 per cent at the country banks, as against 75 and 58 per cent respectively twelve months earlier.

Member bank reserves (Dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired
Philadelphia banks:				
1940: Apr. 1-15	\$478.3	\$216.7	\$261.6	121%
Apr. 16-30	505.4	222.4	283.0	127 "
May 1-15	520.4	226.3	294.1	130 "
1939: May 1-15	318.8	181.7	137.1	75 "
Country banks:				
1940: Apr. 1-15	181.4	95.2	86.2	90 "
Apr. 16-30	181.8	95.5	86.3	90 "
May 1-15	185.8	95.8	90.0	94 "
1939: May 1-15	149.7	94.7	55.0	58 "

Reserves reached a new high of \$714,300,000 on May 11 and even after a reduction to \$700,100,000 on May 22 were still \$10,100,000 larger than on April 24. The increase in this four-week period was due primarily to a gain of over \$18,000,000 in transactions with other reserve districts. The volume of funds supplied by Treasury operations was much smaller than in the preceding period. Treasury disbursements averaged about the same, but receipts were increased substantially by quarterly payments of Social Security taxes and by an increase in the amount of State unemployment trust funds turned over to the Treasury

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	May 22, 1940	Changes in—	
		Four weeks	One year
Bills discounted.....	\$ 0.1	-\$0.0	-\$0.2
Bills bought.....	0	0	- 0.1
Industrial advances.....	2.6	- 0.1	+ 0.1
U. S. securities.....	197.9	+ 0.9	- 9.0
Total.....	\$200.6	+\$0.8	-\$9.2
Note circulation.....	347.7	+ 2.4	+ 31.7
Member bank deposits.....	700.1	+10.1	+236.7
U. S. general account.....	25.5	- 1.5	- 20.6
Foreign bank deposits.....	44.6	+ 7.4	+ 17.3
Other deposits.....	18.4	+ 2.5	+ 12.9
Total reserves.....	957.8	+21.9	+287.6
Reserve ratio.....	84.3%	+0.4%	+6.2%

for investment. Additions to the supply of funds through interdistrict and Treasury transactions were offset in part by an increase in currency demand, a reduction in float, and an expansion in nonmember clearing balances at the reserve bank.

The earning assets of the Federal Reserve Bank were increased somewhat in the latest month by a rise of \$900,000 in holdings of governments to \$197,900,000. This reflected participation in open market purchases made by the System to aid in maintaining orderly markets.

Loans and investments of reporting member banks increased \$13,000,000 in the four latest weeks to \$1,172,000,000, and on a comparable basis are now about \$80,000,000 higher than a year ago. Aggregate loans increased \$7,000,000 as a result of expansion in commercial accommodation, holdings of open market paper, and loans to purchase or carry securities. Commercial loans in the month established a new high for the past two years and, although reduced slightly from this peak by the close of the period, were about 14 per cent larger than a year ago.

Purchases of additional securities comprising \$13,000,000 of United States bonds and \$4,000,000 of corporate and municipal securities were partly offset by a reduction of \$11,000,000 in guaranteed obligations, which reflected in part repayments at

Reporting member banks (000,000's omitted)	May 22, 1940	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 212	+\$ 2	+\$26
Open market paper.....	31	+ 2	+ 6
Loans to brokers, etc.....	26	+ 2	+ 3
Other loans to carry secur.....	33	+ 2	+ 1
Loans on real estate.....	50	+ 1	+ 3
Loans to banks.....	1	.....	.....
Other loans.....	93	- 2	+ 6
Total loans.....	\$ 446	+\$ 7	+\$45
Government securities.....	\$ 355	+\$13	+\$13
Obligations fully guar'teed.....	91	- 11	- 4
Other securities.....	280	+ 4	+ 26
Total investments.....	\$ 726	+\$ 6	+\$35
Total loans & investments	\$1,172	+\$13	+\$80
Reserve with F. R. Bank...	531	+ 4	.....
Cash in vault.....	20	.....	.....
Balances with other banks...	215	- 1	.....
Other assets—net.....	83	.....	.....
Liabilities			
Demand deposits, adjusted	\$1,033	+\$16	.....
Time deposits.....	262	- 4	.....
U. S. Government deposits	54	+ 1	.....
Interbank deposits.....	441	+ 2	.....
Borrowings.....	.....	.....	.....
Other liabilities.....	15	.....	.....
Capital account.....	216	+ 1	.....

maturity. The total investment portfolio continues larger than a year ago, but at \$726,000,000 on May 22 was \$39,000,000 under the peak at the close of January. The effect of this contraction on total credit outstanding was largely balanced by expansion in loans.

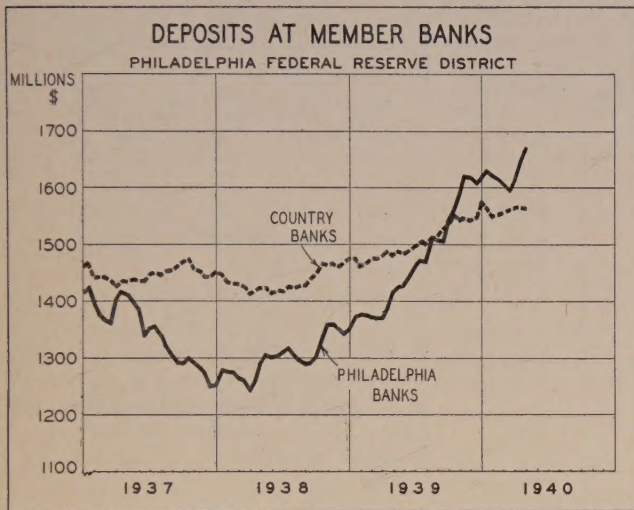
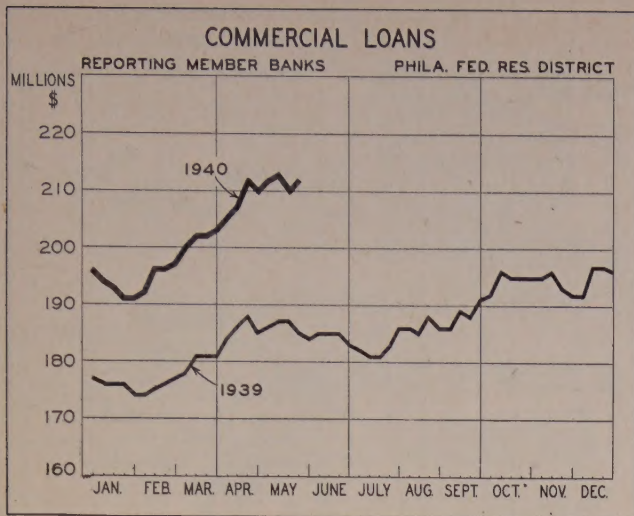
Deposits at the reporting banks have increased \$15,000,000 in the last four weeks to \$1,790,000,000, owing principally to larger balances carried for states and local governments. These balances have increased substantially in the past year, although not as much as have deposits to the credit of individuals and business enterprises and those carried for other banks.

Gross deposits at all member banks in this district have shown a further increase in the past few months, reaching \$3,233,000,000 in the last half of April, or \$580,000,000 more than the low point in late March of 1938. The gain in this period, which was entirely in demand balances, was greatest in Philadelphia, where deposits increased 34 per cent as against 11 per cent at the country banks.

MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—				Changes in four weeks*
	May 1	May 8	May 15	May 22	
Sources of funds:					
Reserve bank credit extended in district.....	-4.9	+ 2.5	+0.9	-0.4	- 1.9
Commercial transfers (chiefly interdistrict).....	+1.2	+20.8	+3.6	-7.3	+18.3
Treasury operations.....	+5.2	- 4.1	+0.1	-0.2	+ 1.0
Total.....	+1.5	+19.2	+4.6	-7.9	+17.4
Uses of funds:					
Currency demand.....	+1.1	+ 2.1	+0.1	+1.7	+ 5.0
Member bank reserve deposits.....	+2.6	+17.3	-3.4	-6.4	+10.1
"Other deposits" at reserve bank.....	-2.1	- 0.2	+8.0	-3.2	+ 2.5
Other Federal Reserve accounts.....	-0.1	- 0.0	-0.1	+0.0	- 0.2
Total.....	+1.5	+19.2	+4.6	-7.9	+17.4

* Preliminary.



City areas*	Percentage change—April 1940 from April 1939				
	Manufacturing Employment	Wage payments	Building permits (value)	Debits	Retail trade sales
Allentown.....	+12	+20	+66	+9	-11
Altoona.....	+16	+29	+81	+7	+3
Harrisburg.....	+9	+16	-65	+17	-6
Johnstown.....	+30	+37	-25	+15	+9
Lancaster.....	+4	+3	+66	+12	-13
Philadelphia.....	+3	+12	+11	+13	-5
Reading.....	-1	-0	+269	+5	-8
Scranton.....	-11	-7	+46	+8	-12
Trenton.....	+13	+23	+235	-5	-4
Wilkes-Barre.....	+8	+27	-14	+19	-11
Williamsport.....	+7	+6	+40	+13	.....
Wilmington.....	+7	+15	+803	+18	-7
York.....	+7	+12	+529	+7	-11

April 1940 from March 1940					
Allentown.....	+0	+1	+69	+1	+1
Altoona.....	-2	-4	+207	-1	-15
Harrisburg.....	-4	-5	-90	+4	-12
Johnstown.....	-4	-6	-73	-4	+6
Lancaster.....	-3	-6	-49	-10	-28
Philadelphia.....	-1	-2	-27	+4	-6
Reading.....	+1	+0	+182	+2	-5
Scranton.....	-3	-5	-33	-8	-3
Trenton.....	-1	-2	+85	+2	-6
Wilkes-Barre.....	-2	-6	-7	+10	+3
Williamsport.....	-2	-3	-63	-9	.....
Wilmington.....	+2	+5	+687	-13	-14
York.....	+2	+1	+64	+8	-11

* Area not restricted to the corporate limits of cities given here.

Employment and Payrolls in Pennsylvania

(All figures are rounded from original data)

Manufacturing Indexes

	Employment*			Payrolls*			Employe-hours†	
	April 1940 index	Per cent change from		April 1940 index	Per cent change from		Apr. 1940—per cent change from	
		Mar. 1940	April 1939		Mar. 1940	April 1939	Mar. 1940	April 1939
All manufacturing.....	85	-2	+6	79	-2	+17	-2	+19
Iron, steel and products.....	80	-2	+17	96	-2	+28	-1	+27
Non-ferrous metal prods.....	121	-0	+15	149	+1	+25	+1	+24
Transportation equip.....	59	-4	+14	64	-5	+28	-6	+36
Textiles and clothing.....	88	-2	-7	77	-4	-3	-6	-5
Textiles.....	81	-1	-9	71	-2	-5	-5	-6
Clothing.....	116	-6	+0	106	-11	+6	-10	+2
Food products.....	101	-1	+2	107	-1	+8	-2	+6
Stone, clay and glass.....	78	+2	+9	77	+2	+16	+3	+14
Lumber products.....	52	+1	+1	47	+7	+10	+8	+14
Chemicals and products.....	94	-0	+12	104	+2	+15	+2	+20
Leather and products.....	87	-5	-5	72	-15	-12	-16	-18
Paper and printing.....	98	-0	+1	103	-1	+4	-0	+4
Printing.....	90	+0	-2	97	-1	+0	+1	+2
Others:								
Cigars and tobacco.....	60	+1	+7	54	+2	+19	+2	+20
Rubber tires, goods.....	78	-4	-4	86	-0	-3	-1	-3
Musical instruments.....	65	0	+7	66	-0	+16	-1	+13

* Figures from 2,441 plants.

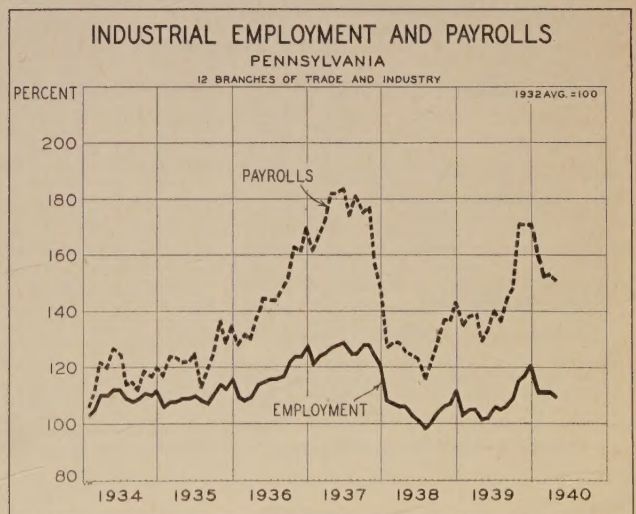
† Figures from 2,198 plants.

General Index Numbers

Covering twelve branches of trade and industry

	Employment			Payrolls		
	April 1940 index	Per cent change from		April 1940 index	Per cent change from	
		Mar. 1940	April 1939		Mar. 1940	April 1939
General index (weighted).....	109	-1	+9	151	-2	+17
Manufacturing.....	132	-2	+6	194	-2	+17
Anthracite mining.....	68	-2	-3	62	-6	-16
Bituminous coal mining.....	103	-3	*	178	-10	*
Building and construction.....	46	+14	-11	63	+15	-5
Quarrying and non-met. mining.....	112	+16	+13	192	+16	+18
Crude petroleum producing.....	132	+1	+1	157	+1	+2
Public utilities.....	97	+2	+4	108	+1	+7
Retail trade.....	102	-4	-1	122	-2	+3
Wholesale trade.....	119	-3	+4	123	-2	+6
Hotels.....	104	+1	-4	124	+4	+3
Laundries.....	102	+1	+8	131	+3	+10
Dyeing and cleaning.....	101	+11	+3	129	+18	+12

* Strike last year.



Index numbers of individual lines of trade and manufactures

Philadelphia Federal Reserve District

Adjusted indexes allow for the usual seasonal change in activity.	Index numbers: percentages of the 1923-1925 average as 100										
	Adjusted for seasonal variation						Not adjusted				
	Apr. 1939	Feb. 1940	Mar. 1940	Apr. 1940	Per cent change			Apr. 1939	Feb. 1940	Mar. 1940	Apr. 1940
					Apr. 1940 from	1940 from 4 mos. 1939					
Unadjusted indexes reflect merely the actual change which may or may not be typical.					Month ago	Year ago					
Retail trade											
Sales											
Total of all stores.....	77	80	79	72p	- 9	- 6	+ 1	82	60	79	74p
Department.....	68	70	71	68	- 4	+ 0	+ 2	67	53	69	65
Men's apparel.....	76r	74	75	66	-12	-13	+ 2	72r	59	71	60
Women's apparel.....	95r	94	84	81	- 3	-14	- 5	115r	68	102	96
Shoe.....	94	85	94	70p	-26	-26	- 8	110	57	103	80p
Credit.....	81r	100	94	81p	-14	- 1	+ 1	91r	73	86	87p
Stocks of goods											
Total of all stores.....	77	80	80	79p	- 1	+ 2	.....	79	77	82	81p
Department.....	51	55	54	53	- 3	+ 3	.....	53	53	55	55
Women's apparel.....	108	101	102	99	- 3	- 8	.....	107	100	111r	99
Shoe.....	71	80	74	73	- 1	+ 2	.....	76	74	77	78
Credit.....	96r	104	107	106p	- 2	+ 9	.....	98r	104	111	108p
Rate of stock turnover											
Monthly turnover on annual basis (actual, not indexes)							- 0*	4.00			3.99
Wholesale trade											
Sales											
Total of all lines.....					+ 3*	+ 5*	+ 5*				
Boots and shoes.....					-32*	-25*	- 7*				
Drugs.....					+ 5*	+ 1*	+ 1*				
Dry goods.....					- 1*	+ 2*	+ 1*				
Electrical supplies.....					+ 8*	+12*	+19*				
Groceries.....					+ 2*	+ 1*	+ 1*				
Hardware.....					+17*	+17*	+14*				
Jewelry.....					-14*	+ 9*	+12*				
Paper.....					+17*	+21*	+10*				
Stocks of goods											
Total of all lines.....					- 2*	- 0*	.....				
Dry goods.....					+ 1*	-10*	.....				
Electrical supplies.....					+ 0*	+ 4*	.....				
Groceries.....					- 3*	+ 1*	.....				
Hardware.....					-11*	+ 8*	.....				
Jewelry.....					+ 2*	+ 5*	.....				
Paper.....					- 3*	- 2*	.....				
Output of manufactures											
Pig iron.....	35	76	69	61	-12	+ 71	+ 82	40	78	80	69
Steel.....	59r	81	73	74	+ 0	+ 25	+ 35	62r	85	79	77
Iron castings.....	50	68	66	72	+ 9	+ 45	+ 47	52	69	69	75
Steel castings.....	71	74	68	84	+22	+ 18	+ 18	72	83	77	85
Electrical apparatus.....	81	103	109r	117	+ 7	+ 44	+ 43	71	99	101r	102
Motor vehicles.....	17	19	15	11	-22	- 32	- 8	21	19	16	14
Automobile parts and bodies.....	54	63	67	68	+ 2	+ 27	+ 23	59	68	73	74
Locomotives and cars.....	16	40	40	35	-11	+122	+145	17	41	43	37
Shipbuilding.....	332	433r	443	470	+ 6	+ 42	+ 40	339	425	461	480
Silk manufactures.....	82	70	70r	70	- 0	- 14	- 16	80	74	73r	69
Woolen and worsteds.....	47	55	50	48	- 6	+ 2	- 7	43	56	48	44
Cotton products.....	40	47	45	42	- 5	+ 5	+ 10	42	50	48	44
Carpets and rugs.....	113	142	120	114	- 5	+ 1	- 3	106	145	119	107
Hosiery.....	100	92	80	79	- 1	- 21	- 17	100	96	83	79
Underwear.....	142	131	137	143	+ 4	+ 1	+ 4	139	143	150r	140
Cement.....	62	37	67	67	+ 1	+ 9	- 0	62	26	52	67
Brick.....	32	38	38	38	- 1	+ 20	+ 23	33	37	37r	40
Lumber and products.....	24	25	26	29	+11	+ 18	+ 11	23	24	24	27
Bread and bakery products.....					- 4*	+ 2*	+ 1*	85	90	89	86
Slaughtering, meat packing.....	96	95	100	111	+11	+ 16	+ 6	94	97	96	109
Sugar refining.....	82	59	51	41	-19	-49	-18	106	77	78	54
Canning and preserving.....	60	61	65	66p	+ 3	+ 11	+ 12	50	56	57	58p
Cigars.....	97	98	104	107	+ 4	+ 11	+ 11	88	83	95	98
Paper and wood pulp.....	70	77	75	76	+ 0	+ 8	+ 10	70	77	77	76
Printing and publishing.....	89	91	89	90	+ 1	+ 2	+ 2	90	91	91	92
Shoes.....	132	133	120	102	-15	- 23	- 11	132	139	128	102
Leather, goat and kid.....	104r	87r	92	89p	- 3	- 14	- 1	101r	94r	91	87p
Explosives.....	67	99	98	92	- 6	+ 37	+ 31	68	99	98	93
Paints and varnishes.....	77	85	81	79	- 3	+ 2	+ 7	81	83	83	83
Petroleum products.....	153	147	172	172p	+ 0	+ 12	+ 10	153	146	170	171p
Coke, by-product.....	86	122	118	118	- 0	+ 37	+ 32	90	128	123	123

* Computed from data unadjusted for seasonal variation. p—Preliminary. r—Revised.

